

ILLUSTRATIVE BENEFITS FOR RETIRED WORKERS, DISABLED WORKERS, AND SURVIVORS SCHEDULED UNDER CURRENT LAW

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The Social Security program provides income to retired workers and their families, qualifying disabled workers and their families, and survivors of workers. The *progressivity* of the Social Security benefit formula allows individuals with lower earnings to receive monthly benefits that are a higher percentage of such earnings compared to that percentage for those with higher earnings. For hypothetical earners with a range of full-lifetime average earnings levels¹ at a range of ages in 2005, this note displays their current earnings in 2004 and the amounts they would expect to receive at benefit entitlement.

The assumptions underlying the attached tables are similar to those used in the annual Social Security statement mailed to workers and former workers aged 25 and older. Specifically, the benefit amounts reflect no increase in the cost of living or in the average wage level after 2004. Thus, the benefit estimates for workers retiring in future years are on a roughly comparable basis to the benefit estimates for disabled workers and survivors of deceased workers, which both assume benefit entitlement in 2005.

All hypothetical workers, except the maximum,² are assumed to have scaled earnings patterns beginning at age 21. These patterns reflect the actual experience of insured workers during 1991-2001, which show relatively low wages and probability of work at younger and older ages and higher relative wages and probability of work at mid-career.³ Earnings levels after 2004 for scaled workers illustrated in this note, are not assumed to increase due to changes in the average wage level, but are assumed to follow the scaled earnings pattern as age increases. It is important to note that this approach for

determining future earnings differs from that used in the annual Social Security statement.

Four tables are attached. The tables allow workers at various ages in 2005 to look up potential future benefit levels consistent with their earnings level in 2004. Each table lists *earnings in 2004* at their current age and *annual benefit amounts* at entitlement for hypothetical individuals associated with the following full-lifetime average earnings levels: \$10,000, \$20,000, \$30,000, \$40,000, \$50,000, \$60,000, and maximum. Each table provides this information for individuals at specified attained ages in 2005. Additional information about each table is provided below.

- **Table 1A: Retired Workers Who Become Entitled at Normal Retirement Age (NRA).** This table also shows the percentage of fully insured workers with full-lifetime average earnings at or below each of the seven listed earnings levels. These percentages are based on the earnings of a one-percent sample of individuals, aged 25 through 65, who are fully insured in 2002. The illustrated benefits are for workers only. There may be additional benefits for auxiliary beneficiaries such as spouses and dependent children. The NRA has increased recently to 66 for those turning age 62 in 2005. It will increase further beginning with those turning age 62 in 2017, reaching 67 for those turning age 62 in 2022 and later.
- **Table 1B: Retired Workers Who Become Entitled at Age 65.** The only difference between this table and table 1A is that the hypothetical worker retires at age 65 rather than NRA, resulting in lower benefit amounts due to reduction for early retirement. The illustrated benefits are for workers only. There may be additional benefits for auxiliary beneficiaries such as spouses and dependent children.
- **Table 2: Disabled Worker Annual Benefit Amounts.** For the seven full-lifetime average earnings levels listed above, this table provides benefit amounts assuming benefit entitlement in 2005 for disabled workers aged 25, 35, 45, and 55.

¹ The full-lifetime average earnings level reflects the average of the highest 35 years of wage-indexed earnings (wage-indexed to 2004) expected for the illustration assuming that the worker survives to retirement age without becoming disabled.

² For the maximum worker, earnings start at age 22 and are assumed to equal the taxable maximum (the OASDI benefit and contribution base) for each year through 2004. Earnings after 2004 are assumed to equal the taxable maximum of \$87,900 for 2004.

³ For more details on development of the scaled earnings patterns, see Actuarial Notes 144, 2004.3, and 2005.3, located at: www.socialsecurity.gov/OACT/NOTES/note2000s/note144.html, www.socialsecurity.gov/OACT/NOTES/ran3/an2004-3.html, and www.socialsecurity.gov/OACT/NOTES/ran3/an2005-3.html.

In addition, the table provides, for each full-lifetime average earnings level, the percentage of disability insured workers with average earnings at or below the earnings level. These percentages are based on earnings of a one-percent sample of individuals, aged 25 through 64, who are disability insured in 2002. The illustrated benefits are for workers only. There may be additional benefits for auxiliary beneficiaries such as spouses and dependent children.

- **Table 3: Survivor Annual Benefit Amounts.** For each of the seven full-lifetime average earnings levels, this table provides benefit amounts assuming that the deceased worker would have attained ages 25, 35, 45, or 60 just before dying in 2005. In each case, the surviving spouse is

assumed to be the same age as the deceased worker and to become entitled to benefits in 2005. Benefit estimates are provided for three scenarios of survivor beneficiaries: (1) spouse and one child (spouse only for the age 60 case), (2) one child only, and (3) spouse and two children. Because of the family maximum benefit provision, annual benefit amounts for a *spouse and two children* are the same or only moderately higher than for a *spouse and one child*. In addition, the table provides, for each full-lifetime average earnings level, the percentage of fully insured workers with full-lifetime average earnings at or below the earnings level. These percentages are based on the earnings of a one-percent sample of individuals, aged 25 through 65, who are fully insured in 2002.

Table 1A: Retired Worker Annual Benefit Amounts¹ Scheduled in Current Law

For Insured Workers at Various Ages Who Become Entitled at Normal Retirement Age (NRA) With Various Lifetime Earnings Patterns²

Age in 2005	Age at benefit entitlement (NRA)		Estimated earnings in 2004 and benefit at entitlement (NRA)						
25	67	Earnings in 2004	\$5,879	\$11,757	\$17,636	\$23,515	\$29,393	\$35,272	\$87,900
		Benefit at entitlement	7,692	10,896	14,100	17,292	19,956	21,456	25,656
35	67	Earnings in 2004	9,723	19,446	29,169	38,892	48,614	58,337	87,900
		Benefit at entitlement	7,692	10,896	14,100	17,292	19,956	21,456	25,668
45	67	Earnings in 2004	10,989	21,977	32,966	43,954	54,943	65,931	87,900
		Benefit at entitlement	7,692	10,896	14,100	17,292	19,956	21,456	25,584
55	66	Earnings in 2004	10,586	21,173	31,759	42,345	52,932	63,518	87,900
		Benefit at entitlement	7,692	10,896	14,100	17,292	19,956	21,456	25,296
65	65 & 6 months	Earnings in 2004	6,886	13,773	20,659	27,545	34,432	41,318	87,900
		Benefit at entitlement	7,488	10,596	13,716	16,824	19,380	20,652	23,268
Full-lifetime earnings level³			10,000	20,000	30,000	40,000	50,000	60,000	Maximum
Percent of fully insured workers with career average earnings at this level or below ⁴			14	32	51	67	78	87	100

¹ The assumptions underlying the above benefit estimates are similar to those used for the Social Security Statement. These estimates reflect no increase in the cost of living or average wage and earnings levels after December 2004. However, earnings after 2004 follow scaled earnings patterns as age increases. (These assumptions are not consistent with those used for table VI.F10 of the 2005 Trustees Report.)

² Scaled earnings patterns starting at age 21 are assumed for all but the maximum worker. These patterns reflect the actual experience of insured workers during 1991-2001. For the maximum worker, earnings start at age 22 and are assumed to equal the taxable maximum (the OASDI benefit and contribution base) for each year through 2004. (For 2004, this amount was \$87,900.) For more details on the scaled-earnings patterns see Actuarial Note Number 2005.3, located at: www.socialsecurity.gov/OACT/NOTES/ran3/an2005-3.html.

³ The full-lifetime earnings level reflects the average of the highest 35 years of wage-indexed earnings (wage-indexed to 2004) expected for the illustration assuming the worker survives to retirement age without becoming disabled.

⁴ Based on a 1% sample of actual earnings histories for individuals aged 25 through 65 who are fully insured in 2002.

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Table 1B: Retired Worker Annual Benefit Amounts¹ Scheduled in Current Law
 For Insured Workers at Various Ages Who Become Entitled at Age 65 With Various Lifetime Earnings Patterns²

Age in 2005	Age at benefit entitlement		Estimated earnings in 2004 and benefit at entitlement (Age 65)						
25	65	<i>Earnings in 2004</i>	\$5,879	\$11,757	\$17,636	\$23,515	\$29,393	\$35,272	\$87,900
		<i>Benefit at entitlement</i>	6,672	9,444	12,216	14,988	17,292	18,588	22,236
35	65	<i>Earnings in 2004</i>	9,723	19,446	29,169	38,892	48,614	58,337	87,900
		<i>Benefit at entitlement</i>	6,672	9,444	12,216	14,988	17,292	18,588	22,236
45	65	<i>Earnings in 2004</i>	10,989	21,977	32,966	43,954	54,943	65,931	87,900
		<i>Benefit at entitlement</i>	6,672	9,444	12,216	14,988	17,292	18,588	22,140
55	65	<i>Earnings in 2004</i>	10,586	21,173	31,759	42,345	52,932	63,518	87,900
		<i>Benefit at entitlement</i>	7,188	10,164	13,152	16,140	18,624	20,028	23,544
65	65	<i>Earnings in 2004</i>	6,886	13,773	20,659	27,545	34,432	41,318	87,900
		<i>Benefit at entitlement</i>	7,236	10,248	13,248	16,260	18,732	19,968	22,488
Full-lifetime earnings level³			10,000	20,000	30,000	40,000	50,000	60,000	Maximum
Percent of fully insured workers with career average earnings at this level or below ⁴			14	32	51	67	78	87	100

¹ The assumptions underlying the above benefit estimates are similar to those used for the Social Security Statement. These estimates reflect no increase in the cost of living or average wage and earnings levels after December 2004. However, earnings after 2004 follow scaled earnings patterns as age increases. (These assumptions are not consistent with those used for table VI.F10 of the 2005 Trustees Report.)

² Scaled earnings patterns starting at age 21 are assumed for all but the maximum worker. These patterns reflect the actual experience of insured workers during 1991-2001. For the maximum worker, earnings start at age 22 and are assumed to equal the taxable maximum (the OASDI benefit and contribution base) for each year through 2004. (For 2004, this amount was \$87,900.) For more details on the scaled-earnings patterns see Actuarial Note Number 2005.3, located at: www.socialsecurity.gov/OACT/NOTES/ran3/an2005-3.html.

³ The full-lifetime earnings level reflects the average of the highest 35 years of wage-indexed earnings (wage-indexed to 2004) expected for the illustration assuming the worker survives to retirement age without becoming disabled.

⁴ Based on a 1% sample of actual earnings histories for individuals aged 25 through 65 who are fully insured in 2002.

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Table 2: Disabled Worker Annual Benefit Amounts

For Disability Insured Workers Entitled in 2004 at Selected Ages and With Various Lifetime Earnings Patterns¹

Age at benefit entitlement in 2005		Earnings in 2004 and benefit for 2005						
25	<i>Earnings in 2004</i>	\$5,879	\$11,757	\$17,636	\$23,515	\$29,393	\$35,272	\$87,900
	<i>Benefit at entitlement</i>	4,404	7,500	9,060	10,632	12,204	13,776	25,164
35	<i>Earnings in 2004</i>	9,723	19,446	29,169	38,892	48,614	58,337	87,900
	<i>Benefit at entitlement</i>	6,924	9,480	12,048	14,616	17,172	19,272	24,732
45	<i>Earnings in 2004</i>	10,989	21,977	32,966	43,954	54,943	65,931	87,900
	<i>Benefit at entitlement</i>	7,344	10,344	13,332	16,332	19,080	20,484	24,552
55	<i>Earnings in 2004</i>	10,586	21,173	31,759	42,345	52,932	63,518	87,900
	<i>Benefit at entitlement</i>	7,524	10,692	13,872	17,040	19,500	20,988	23,976
Full-lifetime earnings level²		10,000	20,000	30,000	40,000	50,000	60,000	Maximum
Percent of disability insured workers with career earnings at this level or below ³		8	26	46	63	77	86	100

¹ Scaled earnings patterns starting at age 21 are assumed for all but the maximum worker. These patterns reflect the actual experience of insured workers during 1991-2001. For the maximum worker, earnings start at age 22 and are assumed to equal the taxable maximum (the OASDI benefit and contribution base) for each year through 2004. (For 2004, this amount was \$87,900.) For more details on the scaled-earnings patterns see Actuarial Note Number 2005.3, located at: www.socialsecurity.gov/OACT/NOTES/ran3/an2005-3.html.

² The full-lifetime earnings level reflects the average of the highest 35 years of wage-indexed earnings (wage-indexed to 2004) expected for the illustration assuming the worker survives to retirement age without becoming disabled.

³ Based on a 1% sample of actual earnings histories for individuals aged 25 through 64 who are disability insured in 2002.

Note: These estimates reflect no increase in the cost of living after December 2004.

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Table 3: Survivor Annual Benefit Amounts

For Survivors Entitled in 2005 at Selected Ages and With Various Lifetime Earnings Patterns of the Deceased Spouse¹

Age of deceased spouse in 2005	Age of surviving spouse in 2005		Benefit at entitlement in 2005 and deceased spouse's earnings in 2004						
25	25	<i>Spouse and one child</i>	\$7,224	\$11,688	\$14,280	\$16,848	\$19,440	\$22,008	\$37,776
		<i>Child only</i>	3,612	5,844	7,140	8,424	9,720	11,004	18,888
		<i>Spouse and two children</i>	7,236	11,700	14,280	18,840	23,520	27,084	44,076
		<i>Earnings of deceased spouse in 2004</i>	5,879	11,757	17,636	23,515	29,393	35,272	87,900
35	35	<i>Spouse and one child</i>	10,680	14,832	18,960	23,112	27,264	29,760	37,320
		<i>Child only</i>	5,340	7,416	9,480	11,556	13,632	14,880	18,660
		<i>Spouse and two children</i>	10,680	15,168	22,692	28,068	31,812	34,728	43,548
		<i>Earnings of deceased spouse in 2004</i>	9,723	19,446	29,169	38,892	48,614	58,337	87,900
45	45	<i>Spouse and one child</i>	11,088	15,624	20,184	24,744	28,776	30,888	36,864
		<i>Child only</i>	5,544	7,812	10,092	12,372	14,388	15,444	18,432
		<i>Spouse and two children</i>	11,088	16,644	24,900	29,520	33,564	36,060	43,008
		<i>Earnings of deceased spouse in 2004</i>	10,989	21,977	32,966	43,954	54,943	65,931	87,900
60	60	<i>Spouse only</i>	5,352	7,608	9,852	12,096	13,884	14,940	16,704
		<i>Child only</i>	5,616	7,980	10,332	12,684	14,568	15,660	17,532
		<i>Spouse and two children</i>	11,244	17,208	25,752	30,084	33,996	36,564	40,896
		<i>Earnings of deceased spouse in 2004</i>	8,824	17,648	26,472	35,296	44,120	52,944	87,900
Full-lifetime earnings level²			10,000	20,000	30,000	40,000	50,000	60,000	Maximum
Percent of fully or currently insured workers with career average earnings at this level or below ³			14	32	51	67	78	87	100

¹ Scaled earnings patterns starting at age 21 are assumed for all but the maximum worker. These patterns reflect the actual experience of insured workers during 1991-2001. For the maximum worker, earnings start at age 22 and are assumed to equal the taxable maximum (the OASDI benefit and contribution base) for each year through 2004. (For 2004, this amount was \$87,900.) For more details on the scaled-earnings patterns see Actuarial Note Number 2005.3, located at: www.socialsecurity.gov/OACT/NOTES/ran3/an2005-3.html.

² The full-lifetime earnings level reflects the average of the highest 35 years of wage-indexed earnings (wage-indexed to 2004) expected for the illustration assuming the worker survives to retirement age without becoming disabled.

³ Based on a 1% sample of actual earnings histories for individuals aged 25 through 65 who are fully or currently insured in 2002.

Note: These estimates reflect no increase in the cost of living after December 2004.

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